Armbro Enterprises Inc. | Financial Report 2000

The following discussion and analysis of Armbro's consolidated financial condition and results of operations should be read in conjunction with Armbro's 2000 Consolidated Financial Statements and Notes.

Results of Operations

Introduction

On December 22, 1999 Armbro acquired all of the outstanding shares of BFC Construction Corporation ("BFC"). Fiscal 2000 is the first full year of ownership of BFC and, since BFC was a substantially larger company than Armbro prior to the acquisition, the operating results were significantly impacted in comparison to those of 1999.

Income Statement

Revenues

Revenues for the year amounted to $1.0 billion, compared to $213.1 million last year – an increase of $793.2 million or 372%. While this increase primarily reflects the impact of the acquisition of BFC, which contributed $688.4 million to the improvement, Armbro's pre-existing operations achieved a significant 51.1%, or $104.8 million growth in revenues as Armbro's road building operations were particularly strong in 2000. Revenues for 1999, combining those of Armbro and BFC as if BFC had been acquired at the start of the fiscal year rather than near the end, would have been $882.9 million, and thus revenue growth of 14% was achieved for 2000 if calculated on this basis.

Armbro's revenues by operating segment are comprised as follows:

($ millions)			2000			1999
Construction Operations	$	877.9	87.2%	$	137.3	64.4%
Infrastructure Development		128.4	12.8		75.8	35.6
Total	$	1,006.3	100.0%	$	213.1	100.0%

Construction Operations

Revenues for this segment increased by $740.6 million in 2000. Components of this increase are as follows ($ millions):

BFC acquisition	$	665.0
Internal growth	$	75.6

The increase in revenues from the BFC acquisition is principally due to the fact that twelve months of operations are consolidated in 2000 compared to only one week in 1999. BFC's revenues grew by 2.6% on a year-over-year basis.

Revenues from Armbro Construction Limited and its related interests grew by 57.7%. Armbro Construction is particularly active in the construction of roads, bridges, highways and other related work in the Province of Ontario.

Infrastructure Development

Revenues for this segment increased by $52.6 million or 69% in 2000. Components of this increase are as follows ($ millions):

BFC acquisition	$	23.4
Internal growth	$	29.2

At December 31, 2000, there were three principal projects within the Infrastructure Development segment:

- The development, design, construction, financing and operation of the Cross Israel Highway project in Israel in which Armbro now has an effective 22.2% interest in the construction joint venture (BFC and Armbro were both participants in the Cross Israel Highway prior to the BFC acquisition, with equal 11.1% interests);
- The design and construction of the Sky Train rapid transit system in Vancouver, B.C., in which Armbro has a 40% interest though its participation in the SAR Joint Venture ("SAR JV"); and
- The development, design, financing, construction and operation of a grain terminal and handling facility in Gdansk, Poland, in which Armbro now has an effective 54.4% interest (increased from 11.3% in December 2000 as a result of acquiring the ownership interest of Saskatchewan Wheat Pool).

Revenue growth in the Infrastructure Development segment in 2000 came from the Cross Israel Highway and Sky Train projects as each of these projects saw substantial progress during the year. Revenue from the Gdansk Grain Terminal project fell from $43.0 million last year to only $1.2 million in 2000 as construction activity has been suspended while the ownership of the project is being restructured and new financing arrangements are being made.

Gross Margin

Gross margin (revenues less costs and expenses but before marketing, general and administrative, and depreciation and amortization expenses) for 2000 amounted to $70.5 million or 7.0% of revenues, compared to $28.8 million or 13.5% of revenues in 1999. A decrease in gross margin percentage was anticipated, since almost half of BFC's operations, most notably its building construction activities, appropriately yield lower gross margins due to the lower risk profile and lower capital requirements of those activities. In addition, losses in 2000 resulting from Armbro's participation in the SAR JV, where Armbro has booked a pre-tax provision for its $20.8 million share of contract losses, resulted in a significant reduction in consolidated gross margins. This decrease was partially offset by a $9.7 million recovery of advances from the joint venture building the Nathpa Jhakri Hydro-Electric Project in India. Of the total decrease of 6.5% in gross margin, 4.4% was due to the differing mix of construction activities and 2.1% was as a result of the net negative impact of the SAR JV and India projects.

Marketing, General and Administrative

Marketing, general and administrative expenses amounted to $41.1 million or 4.1% of revenues, which compares with $14.0 million or 6.6% of revenues in 1999. As a percentage of revenues this category of expense is expected to modestly increase in 2001 as Armbro increases its marketing and business development activities and incurs additional costs as the integration of BFC continues.

Depreciation and Amortization

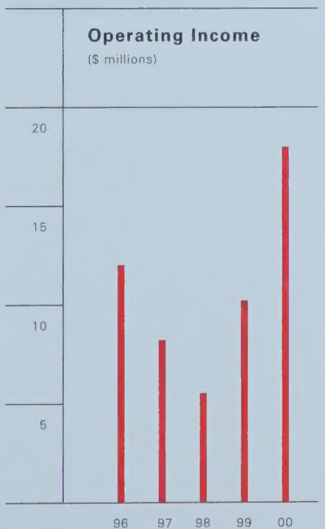
Depreciation and amortization amounted to $11.4 million or 1.1% of revenues compared to $5.0 million or 2.3% of revenues in 1999. Goodwill amortization in the year related to the BFC purchase amounted to $0.4 million. The decrease in depreciation and amortization expense as a percentage of revenues results from the acquisition of BFC where much of BFC's operations require significantly lower investment in capital assets since a substantial amount of work is sub-contracted.

Operating Income

Operating income (income before gain on disposal of other assets, interest expense and income taxes) increased to $18.0 million or 1.8% of revenues from $10.2 million or 4.8% of revenues in 1999.

Operating income by segment for the two years is as follows:

	2000			1999		
($ millions)	Construction Operations	Infrastructure Development	Total	Construction Operations	Infrastructure Development	Total
Revenues	$ 877.9	$ 128.4	$ 1,006.3	$ 137.3	$ 75.8	$ 213.1
Operating income (loss)	$ 38.9	$ (18.1)	$ 20.8	$ 2.4	$ 10.1	$ 12.5
% of revenues	4.4%	(14.1%)	2.1%	1.8%	13.4%	5.9%
Corporate			$ (2.8)			$ (2.3)
Total			$ 18.0			$ 10.2

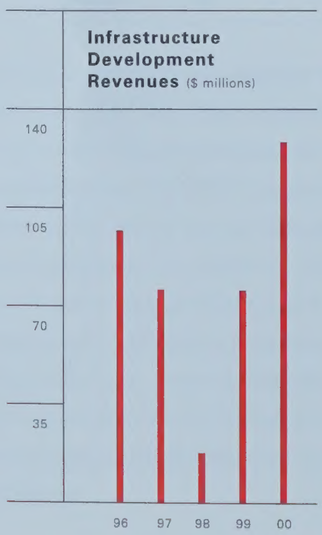


Construction Operations

Operating income from construction operations rose dramatically from the year earlier, increasing by $36.5 million to $38.9 million in 2000 from $2.4 million in 1999. BFC accounted for $30.7 million of the increase, one-third of which is due to the recovery of $9.7 million of advances to the joint venture which is building the Nathpa Jhakri Hydro-Electric Project in India. These advances had previously been written off. All of BFC's construction operations produced higher earnings than the year before. Armbro's pre-existing operations within this segment, most notably its Ontario based road building and related operations, represent $5.8 million of the improvement.

Infrastructure Development

Losses resulting from the Company's participation in the SAR JV contributed to the overall loss for the infrastructure development segment of $18.1 million compared to a profit of $10.1 million in 1999. Increased contribution from Armbro's participation in the construction of the Cross Israel Highway project was more than offset by Armbro's $20.8 million pre-tax provision for its share of estimated contract losses of the SAR JV, and the minor losses incurred during the year on the Gdansk Grain Terminal project. Losses by the SAR JV result from substantially higher costs incurred on its $209 million contract for the extension of the Sky Train rapid transit system in Vancouver, B.C. than were originally estimated. These unexpected costs result, in large part, from changes and delays caused by the owner. While the owner has acknowledged responsibility for certain of these changes and delays, negotiations between the owner and the SAR JV as to the financial terms thereof have not yet been successful. As a result and in order to recover the sums that Armbro and the SAR JV believe we are contractually due, the SAR JV filed a statement of claim with the Supreme Court of British Columbia on February 26, 2001 to recover the costs related to certain contractual breaches and obligations of its client, the Regional Transportation Authority of British Columbia. Armbro believes the ultimate recovery will be at least equal to the amount reflected in the financial statements.



Disposal of Other Assets

In 1999 Armbro recorded a gain of $1.0 million on the sale of other assets. There were no notable disposals of other assets in 2000.

Interest Expense

Net interest expense declined to $1.3 million in 2000 from $1.8 million in 1999. Gross interest expense increased to $9.6 million in 2000 from $2.5 million last year but this was more than offset by higher interest income of $8.3 million earned in 2000 compared to $0.7 million in 1999. The increase in gross interest expense results primarily from the financing costs of the acquisition of BFC of $4.9 million and a $0.8 million penalty resulting from the early repayment of a $30.0 million subordinated note that was assumed as part of the acquisition of BFC. Interest earned on cash balances acquired on the BFC acquisition and $2.9 million interest received with repayment of advances to the joint venture which is building the Nathpa Jhakri Hydro-Electric Project, accounted for the increase in interest income.

Income Taxes

The effective income tax rate for the year was 36.2%, compared to 35.8% in 1999. As of January 1, 2000 The Canadian Institute of Chartered Accountants changed the accounting standard pertaining to income taxes which, as explained in Note 2 to the Consolidated Financial Statements, the Company adopted retroactively. As a result, Retained Earnings were increased by $6.0 million effective January 1, 2000, representing the future tax benefit from prior years' tax losses, net of valuation allowances.

Net Income

Net income increased by $4.5 million or 74.9% to $10.6 million in 2000 from $6.1 million in 1999. On a per share basis, basic earnings per share were up slightly to $0.66 in 2000 from $0.65 in 1999, notwithstanding the significant issuance of shares during the year and the impact of the losses incurred by the SAR JV. The average number of shares outstanding increased to 16,098,589 from 9,278,943 in 1999 primarily as a result of the conversion in the first quarter of the year of a $31.5 million convertible debenture held by Hochtief Canada Inc., now Armbro's largest shareholder, into 8,744,197 common shares. Fully diluted earnings per share in 2000 were $0.64, matching the results of 1999.

Financial Condition, Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2000 were $57.9 million, compared to $101.0 million at the end of last year. The decrease in cash was mainly applied to borrowings. Total interest bearing debt reduced from $136.2 million at the end of 1999 to $80.6 million at the end of 2000. Net borrowings declined from $35.2 million at the end of 1999 to $22.7 million at December 31, 2000, the composition of which is as follows ($ millions):

	2000	1999
Bank indebtedness	$ 34.8	$ 21.3
Current portion of long-term debt	8.2	70.0
Long-term debt	28.6	36.0
Convertible debenture	9.0	8.9
Total interest bearing debt	80.6	136.2
Less cash and cash equivalents	57.9	101.0
Net borrowings	$ 22.7	$ 35.2

As at December 31, 2000, $57.9 million of cash and cash equivalents was held by various Armbro joint ventures and affiliates and is not available for general use by Armbro until distributed. At the end of 1999, the amount of cash and cash equivalents held by joint ventures and affiliates was $22.3 million. The increase is due to commencement in 2000 of the Cross Israel Highway project where $29.0 million of cash balances (Armbro's share) existed at year-end.

Long-term debt (including current portion) decreased by $69.2 million to $36.8 million in 2000 from $106.0 million last year.

At December 31, 2000 Armbro had working capital (current assets less current liabilities) of $8.9 million compared to $34.8 million last year. In reviewing Armbro's working capital position, it is important to consider the following:

- The working capital position includes $31.0 million of assets and $48.2 million of liabilities relating to future taxes resulting in a net current liability for future income taxes of $17.2 million at the end of 2000, thus reducing working capital by the same amount. However, this liability is not representative of cash taxes expected to be paid in 2001 since the reversal of the timing differences which give rise to this net liability are generally expected to be offset by new timing differences generated during the 2001 fiscal year. Additionally, the benefit of tax loss carry forwards amounting to $11.1 million, which have been classified as a long-term asset, could be applied to reduce taxable income and thus cash taxes payable in 2001.

- The purchase in December 2000 of Saskatchewan Wheat Pool's interest in the Gdansk Grain Terminal project resulted in a reduction in working capital of $12.6 million, given that Armbro's increased ownership interest in the development company, Europort Poland Sp. z o.o., results in a portion of Armbro's receivables relating to this project being eliminated on consolidation.
- Armbro maintains operating lines of credit to finance its working capital requirements. As at December 31, 2000, Armbro had $23.9 million of unused capacity under these operating lines, which was available to finance the working capital requirements of the business.
- Assets held for sale decreased by $8.6 million to $2.4 million principally due to the decision to withdraw a subsidiary from the market that was offered for sale at the end of 1999.

Capital assets increased by $36.0 million to $103.1 million from $67.1 million at the end of 1999. The Gdansk Grain Terminal project accounted for $24.4 million of the increase, reflecting Armbro's share of the cost of this partially completed facility. Because of the increased ownership by Armbro in the developer, the proportionate share of the cost of this partially constructed terminal is now included in Armbro's financial statements. Completion of the project is expected to add $22.5 million to capital assets. Other additions to capital assets included the $5.2 million investment in additional manufacturing facilities for Innovative Steam Technologies and $9.2 million invested in new construction equipment as part of the regular replacement and improvement in Armbro's fleet.

Historically, Armbro's investment in new construction equipment has been financed almost entirely by new equipment loans and capital leases. Management expects to continue to utilize equipment loans and capital leases to finance Armbro's equipment purchases in 2001 and expects that sufficient financing sources will be available at competitive rates for this purpose.

Because of Armbro's increased ownership position in the Gdansk project, it is now consolidating certain project related companies. As a result, a term preferred redeemable share obligation of $6.0 million related to this project has been recorded, although the obligation for redemption of these shares depends entirely on the adequacy of cash flow generated from the project and does not represent a general obligation of Armbro.

During the first quarter of 2000 Armbro's largest shareholder converted a $31.5 million convertible debenture into common shares. This transaction had no net impact on shareholders' equity, only on the components within it.

Management believes the combination of Armbro's existing working capital, its access to operating lines of credit and the positive operating cash flow that Armbro expects to generate in 2001 (in part because Armbro is able to significantly reduce cash taxes by utilizing tax loss carry forwards), will provide Armbro with sufficient cash and capital resources to meet the day to day requirements of the business as well as to pursue selected new investment opportunities.

Risks and Uncertainties

Dependence on the Public Sector

A significant portion of Armbro's revenues are derived from contracts with various governments or their agencies, particularly in Ontario. Consequently, any reduction in demand for Armbro's services by the public sector would likely have an adverse effect on Armbro if that business could not be replaced from within the private sector.

Armbro believes that the overall need for additions, expansion and improvements to transportation related infrastructure, in Ontario and elsewhere, continues to increase and that governments will increasingly rely on alternatives such as design-build and public-private partnership contracts to complete these projects. Accordingly, management believes that any reduction in budgetary commitments of governments to infrastructure funding will create new and significant opportunities in an area of particular expertise for Armbro.

Seasonality of Operations

The construction industry in Canada is seasonal in nature due to weather conditions with less work performed in the winter and early spring months. Accordingly, Armbro experiences a seasonal pattern in its operating results with the first quarter of the year typically reflecting low revenues and operating losses. Results for any one quarter are therefore not indicative of the results for any other quarter or for the year.

Economic Factors

General economic downturns adversely affect Armbro. While economic downturns have not generally resulted in any substantial reduction in the budgetary commitments of Armbro's government clientele, and often historically has led to increases, the margins from this business, as well as the revenues and margins generated by Armbro's private sector clients, can be expected to be significantly reduced.

Environmental Factors

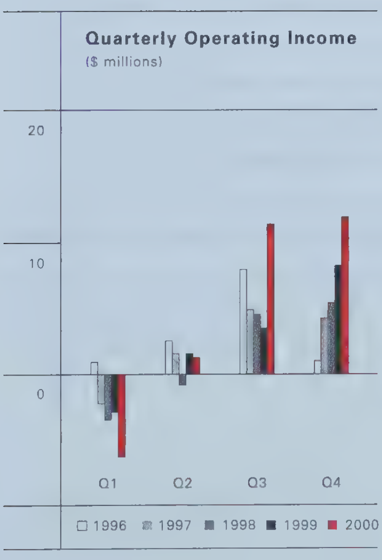
Unfavourable weather conditions represent perhaps the most significant uncontrollable risk for Armbro. Construction projects are susceptible to delays as a result of extended periods of poor weather which can have an adverse effect on profitability from either late completion penalties imposed by the contract owner or from the incremental costs of overtime work utilized to offset the time lost due to weather.

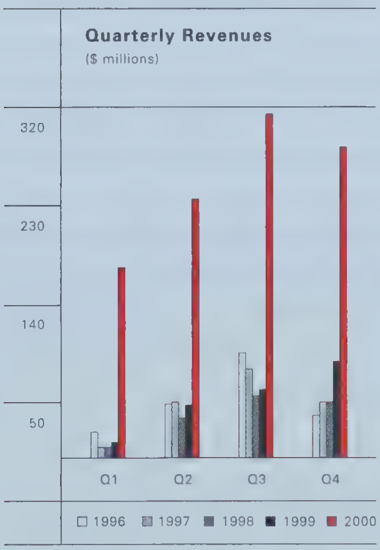
Labour Factors

A significant portion of Armbro's labour force is unionized and accordingly, Armbro is subject to the detrimental effects of a strike or other labour unrest. Numerous Armbro and industry labour agreements are due to be negotiated during 2001.

Contract Factors

A substantial portion of Armbro's revenues are derived from lump-sum contracts wherein a commitment is provided to the project owner to complete the project at a guaranteed maximum price ("GMP"). In this case, in addition to the risk factors of a unit price contract, any errors in quantity estimates must be absorbed within the GMP, thereby adding a further risk component to the contract. However, this added risk component typically means that cost contingencies are incorporated within the estimate and that estimated gross margins from these contracts tend to be higher to allow for the increased risk.





Armbro is also involved in fixed unit price construction contracts under which Armbro is committed to provide services and materials at a fixed unit price (e.g. dollars per tonne of asphalt or aggregate). While this shifts the risk of estimating the quantity of units to the project owner, any increase in Armbro's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect Armbro's profitability.

Armbro is increasingly involved in design-build contracts where, in addition to the responsibilities and risks of a unit price or lump-sum construction contract, Armbro is responsible for certain aspects of the design of the facility being constructed. This form of contract adds the risk of design errors, although much of this added risk is insured by Armbro and/or assumed by the design engineers that are retained by Armbro. This risk provides for increased pricing and margin opportunities and Armbro anticipates that design-build contracts will represent an increasing component of its revenue base.

Armbro is also involved in construction management contracts where it works closely with its client to manage a construction project on the client's behalf in return for a fee. The risks associated with construction management contracts are typically much lower than for unit price or lump-sum contracts.

Armbro's contract requirements may also involve financing where it is required to provide letters of credit, financial guarantees or equity investment. Additionally, some of Armbro's potential contract opportunities are outside of Canada and as such involve risks associated with international activities.

Disputes with clients for additional payments owing as a result of changes in contract specifications, delays, additional work or changed conditions are an unfortunate but sometimes necessary part of the construction process. Because Armbro's accounting policy is to record all costs for these changes when known, while it will not record the revenues anticipated from claims until they are resolved, such events can have a material negative and/or positive impact on income and liquidity, and thus can cause fluctuations in the revenues and income of Armbro in any one reporting period.

Large Contract Factors

A substantial portion of Armbro's revenues is derived from large projects, some of which are conducted through joint ventures. Opportunities for Armbro to compete for these larger projects do not occur regularly. As a result, Armbro's ability to successfully compete for these opportunities and the length of time required to execute these projects are not predictable and therefore create risk of periods of irregular or reduced revenues. The recording of such events can distort revenues and income on both a quarterly and an annual basis and in some cases makes comparison of financial results difficult in particular reporting periods.

Access to Bonding and Pre-qualification Rating

Most of Armbro's construction contracts require either bonding or pre-qualification rating. Armbro's bonding limit and annual pre-qualification rating amount continue to improve significantly on a year-over-year basis reflecting the continued improvement in Armbro's financial capacity. Management believes that Armbro's current financial capacity is sufficient to meet Armbro's future requirements.

Financial Instruments

Armbro did not utilize any derivative instruments in 2000, but with its increasing interests in and exposure to foreign markets and currencies, it may look to such instruments in the future in order to reduce risk.

Outlook

Armbro has evolved from being an Ontario-based heavy civil contractor into the largest publicly traded construction and infrastructure development company in Canada. Armbro now has significant operations across Canada, as well as in selective markets in the United States and around the world.

The acquisition of BFC, by far Armbro's largest acquisition to date, has dramatically improved Armbro's overall position in the marketplace. Adding to the long and successful franchise of Armbro Construction, BFC provides complementary and non-competing operations within the construction operations segment. In this regard, Armbro is now somewhat unique in that Armbro's competitors specialize in one particular construction activity (i.e. roads and bridges), whereas Armbro now has industry leading capacity and expertise across much of the construction industry. Armbro can build everything from highways, bridges, dams and tunnels, to office buildings, theaters and nuclear power stations, from the construction and maintenance of automotive assembly lines, to the installation of fibre optic cable, gas and power lines for various utilities, to pipe and module construction in the oil and gas industry. In addition to its construction expertise, Armbro has industry leading experience in the development and financing of transportation related infrastructure and also has certain fabrication and manufacturing operations that provide positive contributions to the group. These broad capabilities within the industry serve to reduce risks. When industry or economic factors lead to a reduction in activities in one aspect of our business, increased opportunities are often experienced in others.

Armbro is also benefiting from its strategic relationship with Hochtief AG, the parent company of Armbro's biggest shareholder and one of the largest construction companies in the world. Hochtief provides Armbro with access to increased technical expertise and a broadened customer base. For example, Turner Corporation, a Hochtief subsidiary and the largest general builder in the United States, has a strong relationship with Ford Motor Company and assisted Armbro in securing a contract to build the new Canadian head office facilities for Ford in Oakville, Ontario.

While Management is sensitive to the effects on Armbro of a possible economic downturn, where revenues and margins in some activities could be negatively impacted, Armbro has thus far not seen any overall negative impact on its current business or short-term prospects. Armbro's backlog of $1.0 billion as at December 31, 2000 represents a near record of which approximately 65% will be completed during fiscal 2001. Notwithstanding the uncertain economic climate, Armbro anticipates that it will achieve continued growth in 2001 through several broad business channels at the local, national and international levels.

In the Greater Toronto Area, Armbro will benefit from its involvement in some of the megaprojects currently underway such as the new international terminal at Pearson International Airport, the extension of Highway 407 and the proposed waterfront development.

In Ontario, the Superbuild Corporation's mandate to continually upgrade and improve roads, highways and bridges will provide opportunities for Armbro. The need for fibre optic and telephone cabling as well as for gas lines will be a source of revenue for many years.

Armbro has become a leader in public-private partnerships and this expertise and experience in infrastructure development will continue to fuel its growth in North America and internationally.

Within Armbro's portfolio of companies are additional and unique sources of revenue and growth. The growing global concern over energy has brought alternate forms of power generation, like nuclear power, back to the forefront. Armbro, through its 38.75% interest in Canatom NPM, is working on several nuclear projects in North America and internationally. Cogeneration, which uses natural gas as a power source to generate electricity, utilizes steam generators as an integral part of the conversion process. Innovative Steam Technologies, a wholly owned subsidiary of Armbro, is the industry leader in the manufacture of once through heat recovery steam generators and is providing a strong contribution to Armbro's operating results. Armbro is also one of the largest pipe and module fabricators in Canada, much of which is used in the oil and gas industry.

Overall, Management is confident that Armbro will see continued growth within the diverse construction markets it serves.

Forward-Looking Information

In various places in Management's Discussion and Analysis and in other sections of this document, Management's expectations regarding future performance of Armbro was discussed. These "forward-looking" statements are based on currently available competitive, financial and economic data and operating plans, but are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations or financial position of Armbro, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of Armbro and could cause those results to differ materially from those expressed in any forward-looking statements.

To the Shareholders of Armbro Enterprises Inc.

We have audited the consolidated balance sheets of Armbro Enterprises Inc. as at December 31, 2000 and 1999 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Mississauga, Ontario
March 2, 2001

Consolidated Balance Sheets

As at December 31 (in thousands of dollars)

	2000	1999
Assets		
Current assets		
Cash and cash equivalents (note 7)	$ 57,911	$ 100,953
Accounts receivable (note 4)	178,380	161,699
Holdbacks receivable	34,378	41,865
Deferred contract costs and unbilled revenue	72,624	44,163
Inventories	7,322	4,423
Income taxes recoverable	2,257	973
Prepaid expenses	6,765	2,621
Future income tax assets (note 14)	30,965	
Assets held for sale	2,410	10,973
	393,012	367,670
Capital assets (note 5)	103,145	67,084
Future income tax assets (note 14)	12,444	
Other assets (note 6)	17,163	25,796
	$ 525,764	$ 460,550

	2000	1999
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	$ 34,749	$ 21,346
Accounts payable and accrued liabilities (note 4)	172,752	155,325
Dividends payable	1,798	
Holdbacks payable	27,395	24,998
Deferred revenue	88,769	51,023
Income taxes payable	2,249	2,812
Future income tax liabilities (note 14)	48,232	7,308
Current portion of long-term debt	8,203	70,035
	384,147	332,847
Long-term debt (note 9)	28,631	35,954
Other liabilities	3,206	1,584
Future income tax liabilities (note 14)	7,656	8,743
	423,640	379,128
Redeemable preferred shares of subsidiary (note 10)	6,000	
Convertible debentures (note 11)	9,030	8,865
	438,670	387,993
Commitments and contingencies (note 15)		
Shareholders' equity		
Capital stock (note 12)	33,402	2,068
Convertible debentures (note 11)	1,075	32,554
Retained earnings	52,617	37,935
	87,094	72,557
	$ 525,764	$ 460,550

Approved by the Board,

John M. Beck, Director

Scott C. Balfour, Director

Consolidated Statements of Income and Retained Earnings

For the years ended December 31 (in thousands of dollars, except per share amounts)

	2000	1999
Revenues	$ 1,006,330	$ 213,114
Costs and expenses	935,791	184,341
Marketing, general and administrative expenses	41,123	14,008
Depreciation and amortization	11,365	4,961
Loss (gain) on sale of capital assets	73	(400)
	988,352	202,910
Operating income before the following	17,978	10,204
Gain on sale of investment		(1,041)
Interest, net (note 13)	1,319	1,785
	1,319	744
Income before income taxes	16,659	9,460
Income taxes (note 14)		
Current	2,199	2,880
Future	3,838	508
	6,037	3,388
Net income for the year	10,622	6,072
Retained earnings - beginning of year	37,935	32,787
Change in accounting treatment for income taxes (note 2)	6,031	
Dividends	(1,798)	
Common shares purchased in excess of carrying amount (note 12)	(173)	(924)
Retained earnings - end of year	$ 52,617	$ 37,935
Earnings per share (notes 2 and 12)		
Basic	$ 0.66	$ 0.65
Fully diluted	$ 0.64	$ 0.64
Average number of shares outstanding		
Basic	16,098,589	9,278,943
Fully diluted	16,781,005	9,498,117

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of dollars)

	2000	1999
Cash provided by (used in):		
Operating activities		
Net income for the year	$ 10,622	$ 6,072
Items not affecting cash -		
Depreciation and amortization	11,365	4,961
Loss (gain) on sale of capital assets	73	(400)
Loss on foreign exchange	289	
Notional interest representing accretion	165	
Future income taxes	3,838	508
Gain on sale of investment		(1,041)
	26,352	10,100
Change in other balances relating to operations (note 17)	889	7,843
	27,241	17,943
Investing activities		
Purchase of capital assets	(14,370)	(7,069)
Acquisition of subsidiaries	(2,025)	(19,157)
Proceeds on sale of capital assets	2,306	900
Proceeds on sale of investment		1,041
Decrease (increase) in other assets	5,103	(9,466)
	(8,986)	(33,751)
Financing activities		
Increase in bank indebtedness	12,575	11,890
Issuance of long-term debt	16,275	74,888
Repayments of long-term debt	(92,074)	(7,359)
Increase (decrease) in other liabilities	1,406	(468)
Issuance of capital stock	15	220
Repurchase of capital stock (note 12)	(286)	(990)
Issuance of equity portion of convertible debentures (note 11)		32,554
	(62,089)	110,735
Increase (decrease) in cash and cash equivalents	(43,834)	94,927
Effects of foreign exchange on cash balances	792	
Cash and cash equivalents - beginning of year	100,953	6,026
Cash and cash equivalents - end of year	$ 57,911	$ 100,953

Supplementary disclosure (note 17)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, as well as its pro rata share of assets, liabilities, revenues, expenses, net income and cash flows of its joint ventures. Note 4 summarizes the effect of the joint ventures on the consolidated financial statements.

Use of significant accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. A certain amount of uncertainty is inherent in estimating the costs of completing construction projects. The impact on the financial statements of future changes in such estimates could be material.

Cash and cash equivalents

The Company considers investments purchased with original maturities of three months or less to be cash equivalents. Cash held in joint venture operations is for the sole use of joint venture activities.

Accounting for contracts

Revenues and income from fixed price construction contracts, including contracts in which the Company participates through joint ventures, are determined on the percentage of completion method, based on the ratio of costs incurred to date over estimated total costs. This method is used because management considers expended costs to be the best available measure of progress on these contracts. Contract costs include all direct material and labour costs and those indirect costs relating to contract performance such as indirect labour and supplies, tools and repairs. For large multi-year fixed price contracts, income is recognized when progress reaches a stage of completion sufficient to reasonably determine the probable results. Consulting contracts to manage or supervise construction activity of others are recognized only to the extent of the fee revenue. Revenues from cost plus fee contracts are recognized on the basis of costs incurred. Provision is made for anticipated contract losses as soon as they are evident. Claims for additional contract compensation are not recognized until resolved.

Deferred contract costs and unbilled revenues represent costs incurred and revenues earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed over costs incurred and revenue earned on uncompleted contracts. Contract advances are included in deferred revenue and represent advance payments received from clients for mobilization of project staff, equipment and services.

Inventories

Inventories are recorded at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

Assets held for sale

The Company reclassifies non-current assets to current assets where the assets are expected to be sold and the proceeds of sale realized within one year from the dates of the consolidated balance sheets. Assets held for sale includes properties under development which are held in one of the Company's joint ventures, the amount of which was $1,972 (1999 – $3,055).

Capital assets

Capital assets are recorded at historical cost less accumulated depreciation and amortization. Amortization of gravel properties is calculated using the unit of extraction method. Depreciation of other capital assets is provided on a straight-line basis using annual rates that approximate the estimated useful lives of the assets as follows:

Buildings	20 to 40 years
Roadways and leaseholds	5 to 10 years
Construction equipment and vehicles	2 to 15 years
Computer hardware and software	3 to 4 years
Furniture and fixtures	5 to 8 years

When joint ventures are established to perform single contracts and equipment is acquired for use during the contract and disposed of upon completion of the contract, the cost of such equipment, net of estimated salvage value, is treated as a contract cost and is not included in capital assets.

Investments

Investments in entities where the Company exercises significant influence are accounted for using the equity method. These investments are recorded at cost plus the share of income or loss to date less dividends received.

Other investments are carried at cost. If there is other than a temporary decline in value, investments are written down to provide for the decline in value.

Goodwill

Goodwill is amortized on a straight-line basis over 5 to 15 years. On an ongoing basis, management reviews the valuation and amortization of goodwill. Goodwill is written down when declines in value are considered to be other than temporary, based upon undiscounted future cash flows of the related business.

Income taxes

The Company follows the asset and liability method of tax accounting for future income taxes. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse (note 2).

Employee benefit plans

The Company recognizes the cost of retirement benefits over the periods in which employees render services in return for the benefits. The Company sponsors defined contribution pension plans and defined benefits pension plans (which had their membership frozen as of January 1, 1998) for its salaried employees. The Company matches employee contributions to the defined contribution plans, which are based on a percentage of earnings for services rendered by the employees. For the defined benefits pension plans, current service costs are charged to operations as they accrue based on services rendered by employees during the year. Pension benefit obligations are determined by independent actuaries using management's best estimate assumptions with accrued benefits pro-rated on service. Adjustments arising from plan amendments, changes in assumptions, experience gains and losses, and the difference between the actuarial present value of accrued benefits and the value of pension fund assets are amortized over the expected average remaining service life of the employee group (notes 2 and 8).

Stock-based compensation plans

The Company has a stock-based compensation plan, as described in Note 12. Stock options are issued at an exercise price no less than the market value of the Company's shares at the date of issuance. No compensation expense is recognized when stock options are issued to employees. Consideration paid by employees on exercise of stock options is credited to share capital.

Translation of foreign currencies

The accounts of the Company, its foreign subsidiaries and joint ventures stated in foreign currencies have been translated into Canadian dollars using:

- the fiscal year-end exchange rates for monetary items which include cash, amounts receivable, accounts payable and long-term debt;
- exchange rates in effect at the time of the transaction for non-monetary assets, liabilities and deferred credits; and
- average exchange rates prevailing during the year for revenue and expenses, except for depreciation which has been translated at rates pertaining to the related assets.

Significant unrealized foreign exchange gains or losses relating to long-term monetary items are deferred and amortized over the remaining life of the monetary item. All other foreign exchange gains or losses are included in the consolidated statements of income.

2 ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2000, The Canadian Institute of Chartered Accountants changed the accounting standard pertaining to the accounting for income taxes. Previously, the Company accounted for income taxes using the deferral method of tax allocation. Deferred income taxes resulted from timing differences between financial and income tax reporting, principally relating to the recognition of construction revenue and accelerated tax depreciation. The cumulative deferral amount on the balance sheet was not remeasured at each reporting date. The new method of accounting for income taxes focuses on the balance sheet and requires recognition of a future tax asset or liability based on differences between the book and tax values of assets and liabilities. These differences are remeasured at each period end using the tax rates and tax laws expected to apply when those differences are settled in the future. Earnings will be affected in the period in which an adjustment to the future tax liability or asset is made. The Company adopted this new accounting standard retroactively, without restating the financial statements of prior periods.

The effect of the new recommendations on balances as at January 1, 2000 was as follows:

Increase in future income tax assets:		
Current	$	16,345
Long-term		15,861
		32,206
Increase in future income tax liabilities:		
Current		21,309
Long-term		4,866
		26,175
Net increase in future income tax assets	$	6,031
Increase in retained earnings	$	6,031

The adjustment to retained earnings represents $10,082 of future tax benefit from prior years' tax losses not previously recognized, less $4,051 of valuation allowances. Under the deferral method of accounting for income taxes the tax expense for 2000 would have been lower by $4,944 and retained earnings at December 31, 2000 would be reduced by $1,087.

Effective January 1, 2000 the Company adopted the new accounting standard issued by The Canadian Institute of Chartered Accountants, Employee Future Benefits. The standard was adopted prospectively and accordingly prior year figures are not restated. The transitional obligation of $1,027 which arose on January 1, 2000 on adoption of the new standard will be amortized over the expected average remaining service lives of employees.

Effective December 31, 2000, the Company on a retroactive basis changed its method of calculating earnings per share to the new recommendations of The Canadian Institute of Chartered Accountants. Under the new method, the Company's diluted earnings per share are determined using the treasury stock method for the effect of outstanding share options and the dilution impact of the convertible debenture at the stated conversion price. The impact of this change on 2000 diluted earnings per share is an increase of $0.13 (1999 – $0.01) per share.

3 ACQUISITIONS

During the third quarter of 2000, the Company acquired 75% of the outstanding shares of 7298084 Ontario Limited, a company carrying on business as Premiere Cable Construction whose primary activity involves cable installations and rebuilding, with a fixed price option on the remaining 25%. The purchase agreement provides for additional payments based upon future earnings of the acquired business. Additional payments, if any, will be added to goodwill.

Also during the third quarter the Company increased its interest in Canatom NPM Inc., a nuclear consulting firm, from 24% to 38.75%.

During the fourth quarter the Company increased its ownership in Europort Inc. Poland Sp. z.o.o., the Gdansk, Poland Grain Terminal project, from 11.3% to 54.4%, net of a 10% interest acquired by the Company's principal shareholder Hochtief Canada Inc., by purchasing shares in companies having an interest in the project from another shareholder.

Consideration for these acquisitions totaled $3,343.

On December 23, 1999, the Company acquired 100% of the outstanding shares of BFC Construction Corporation, Canada's largest publicly traded construction company, for consideration of $106,415.

The acquisitions were accounted for using the purchase method and the results of operations are included from the dates of acquisition. The following is a summary of these acquisitions:

	2000	1999
Assets acquired		
Non-cash working capital	$	$ 9,837
Capital assets	25,625	25,932
Other assets	500	6,747
Goodwill	1,015	6,350
	27,140	48,866
Liabilities assumed		
Non-cash working capital	12,830	
Bank indebtedness	828	
Long-term debt	1,233	20,000
Redeemable preferred shares	6,000	
Future income taxes		8,125
Other liabilities		1,584
	20,891	29,709
Net non-cash assets acquired	6,249	19,157
Cash acquired	1,318	87,258
Net assets acquired	$ 7,567	$ 106,415
Consideration		
Cash	$ 3,343	$ 106,415
Carrying value of prior investment	4,224	
	$ 7,567	$ 106,415

4 JOINT VENTURES

The Company participates in several incorporated and unincorporated joint ventures and the consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, expenses, net income and cash flows of these joint ventures.

(a) The following table sets out the Company's proportionate share of the assets, liabilities, venturers' equity, revenues, expenses, net income and cash flows of these joint ventures.

	2000	1999
Assets		
Current	$ 135,051	$ 84,890
Capital	26,202	3,253
Other	1,428	1,812
	$ 162,681	$ 89,955
Liabilities		
Current	$ 151,271	$ 69,997
Long-term	6,250	473
Venturers' equity	5,160	19,485
	$ 162,681	$ 89,955
Revenues	$ 298,286	$ 35,038
Expenses	305,917	27,531
Net income (loss)	$ (7,631)	$ 7,507
Cash flows from		
Operating activities	$ 36,886	$ 4,597
Investing activities	(1,312)	(3,512)
Financing activities	8,079	(777)
	$ 43,653	$ 308

(b) The Company is either contingently or directly liable for obligations of its joint venturers. The assets of the joint ventures are available for the purpose of satisfying such obligations.

(c) The Company enters into transactions in the normal course of operations with its joint ventures, which are measured at the exchange amount being the amount of consideration established and agreed to by the parties involved. During the year, the Company generated revenues of $13,914 (1999 – $297) from its joint venture partners. At December 31, 2000, the Company has included in accounts receivable $15,641 (1999 – $9,110) owing from its joint venturers. At December 31, 2000, the Company has included in accounts payable and accrued liabilities $556 (1999 – $ nil) owing to its joint venturers.

5 CAPITAL ASSETS

	2000		
	Cost	Accumulated depreciation and amortization	Net
Land and improvements	$ 10,090	$	$ 10,090
Buildings	14,913	516	14,397
Construction in progress	24,396		24,396
Aggregate properties	10,775	581	10,194
Machinery and equipment	73,130	29,062	44,068
	$ 133,304	$ 30,159	$ 103,145

	1999		
	Cost	Accumulated depreciation and amortization	Net
Land and improvements	$ 9,208	$	$ 9,208
Buildings	9,339		9,339
Aggregate properties	7,878	480	7,398
Machinery and equipment	60,294	19,155	41,139
	$ 86,719	$ 19,635	$ 67,084

Included in capital assets is equipment of $18,020 (1999 – $15,324) held under capital leases, with accumulated depreciation of $6,006 (1999 – $5,160). Construction in progress represents the cost of the Company's share of the partial completion of the grain terminal project in Gdansk, Poland. The Company's share of the cost to complete this project is $22,500.

6 OTHER ASSETS

	2000	1999
Goodwill	$ 9,886	$ 6,679
Loans receivable	4,632	3,913
Deposits held in trust		3,634
Shares in equity accounted company		4,224
Aggregate development site		2,688
Other	2,645	4,658
	$ 17,163	$ 25,796

7 BANK INDEBTEDNESS

At December 31, 2000 the Company had operating lines of credit totaling $44,000 (1999 – $71,021), of which $23,927 (1999 – $12,806) was unused. Utilization amounted to $20,073 (1999 – $58,215) and included bank loans of $16,924 (1999 – $21,346) and letters of credit of $3,149 (1999 – $36,869). Interest rates on the bank loans outstanding at December 31, 2000 were as follows: Canadian prime plus 1% on $14,150 and U.S. base rate plus 1% on $2,774. In addition, included in bank indebtedness is the Company's proportionate share of bank loans of the joint venture which is building the Nathpa Jhakri Hydro-Electric Project in India amounting to $17,825, which bear interest at a weighted average rate of 8.48%. The full amount of the joint venture operating line and borrowings, amounting to $39,611, is secured by letters of credit. These letters of credit are guaranteed by the Company and by Hochtief AG, the parent of the Company's principal shareholder.

An amount of $40,000 of the operating lines, which is used for working capital needs, is secured by general security agreements that include assignments of accounts receivable, holdbacks receivable and pledges of inventory and equipment and is also secured by second position fixed and floating charge debentures over certain assets of the Company, as well as guarantees and postponements of claim from its principal subsidiaries.

Cash and cash equivalents as at December 31, 2000 include $57,911 (1999 – $22,267) which is on deposit in joint venture and affiliate bank accounts which the Company cannot access directly.

8 EMPLOYEE BENEFIT PLANS

The Company has defined benefits pension plans including a supplementary executive retirement plan and defined contribution plans covering substantially all employees, other than union employees who are covered by multi-employer pension plans administered by the unions. Benefits under the defined benefits plans are generally based on the employee's years of service and level of compensation.

Pension expense with respect to the Company's plans for the year 2000 is shown below. Comparative figures for 1999 are not meaningful since the defined benefits plans' assets and liabilities were assumed only from the date of the acquisition of BFC Construction Corporation ("BFC") on December 22, 1999 and pension expense for BFC was recorded only from that date.

Pension expense:

	2000
Defined contribution plans	$ 713
Defined benefits plans, including supplementary executive retirement plan	1,120
Multi-employer pension plan contributions	9,732
Total	$ 11,565

Additional information with respect to the defined benefits plans for 2000 follows:

Accrued benefit obligation:		
Balance, beginning of year	$	21,944
Current service cost		854
Interest cost		1,560
Benefits paid		(1,036)
Balance, end of year (a)		23,322
Plan assets:		
Fair value, beginning of year		20,676
Return on plan assets		1,412
Benefits paid		(742)
Contributions to defined contribution plans		(385)
Fair value, end of year (b)		20,961
Funded status - plan deficit		(2,361)
Unrecognized transitional liability		(908)
Accrued liability	$	(1,453)

(a) Included in the accrued benefit obligation at December 31, 2000 is an unfunded defined benefits pension plan obligation of $2,362.

(b) Pension fund assets are held in equity, fixed income and money market securities.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

Discount rate	7.0%
Expected long-term rate of return on plan assets	7.0%
Rate of compensation increase	4.5%

Components of defined benefits pension expense are:

Current service cost	$	854
Interest cost		1,560
Expected return on plan assets		(1,412)
Amortization of transitional obligation		118
	$	1,120

9 LONG-TERM DEBT

	Notes	2000	1999
Capital leases and equipment loans	(a)	$ 20,278	$ 15,646
Bank term debt	(b)	10,000	
Real estate financing	(c)	5,977	
Acquisition loan	(d)		48,000
Subordinated note	(e)		30,000
Reducing revolving term bank loan	(f)		4,100
Reducing committed term bank loan	(g)		4,261
Acquisition bank loan	(h)		3,814
Other		579	168
		36,834	105,989
Less: Amounts due within one year		8,203	70,035
		$ 28,631	$ 35,954

The following describes the components of long-term debt.

(a) The capital leases and equipment loans bear interest at an average rate of 7.5% (1999 – 7.4%) per annum with specific equipment provided as security.

(b) This facility is for a term of 48 months, with monthly payments of interest at a Canadian chartered bank's prime rate of interest plus 1.5% and is repayable by way of quarterly principal payments of $625 beginning January, 2001. It is secured by second position general security agreements and first position collateral mortgages over certain of the Company's real estate assets.

(c) Consists of mortgages secured by certain of the Company's real estate assets. The majority of these loans ($5,475) are for a term of 10 years at a fixed rate of interest of 7.58% and require monthly principal and interest payments amortized over 25 years.

(d) This loan, taken out in connection with the acquisition of BFC Construction Corporation ("BFC") in December 1999, was secured by a general security agreement on assets and a pledge of BFC shares acquired and bore interest at prime rate plus 1.0%. The loan was partially repaid in March, 2000 and the balance in June, 2000.

(e) This note was unsecured and bore interest at 9.37% payable semi-annually on the 30th of April and October. The loan was repaid in October, 2000.

(f) This revolving term loan was secured by a general security agreement on assets and bore interest at prime rate plus 0.75% (1999 – prime rate plus 0.75%). The loan was repaid in October, 2000.

(g) This term loan was secured by a general security agreement on assets and bore interest at either prime rate plus 0.75% or 1.50%, depending upon the use of funds. The loan was repaid in October, 2000.

(h) The bank loan was taken out in connection with the acquisition of BFC in December, 1999 and bore interest at prime rate plus 1% and was secured by a general security agreement on assets. The loan was repaid in January, 2000.

At December 31, 2000 the prime interest rate charged by the bank was 7.5% (1999 – 6.5%). The weighted average interest rate on long-term debt outstanding at the end of the year was 7.5% (1999 – 8.0%).

Repayments of long-term debt required within the next five years, including the convertible debenture described in note 11, are estimated as follows:

2001	$	8,203
2002		8,823
2003		6,026
2004		6,456
2005		2,153
Thereafter		15,113
	$	46,774

10 REDEEMABLE PREFERRED SHARES OF SUBSIDIARY

The redeemable preferred shares of subsidiary company amounting to $6,000 (1999 – $ nil) comprise U.S. $4,000 mandatorily redeemable shares which bear a cumulative dividend of 8% on the redemption amount. These shares were assumed as part of the acquisition of the additional interest in Europort Inc. Poland Sp. z.o.o., the company developing the Gdansk, Poland grain terminal project (note 3). The shares will be redeemed only from available cash flow from the project with U.S. $1 million scheduled for redemption upon completion of the terminal's construction and U.S. $3 million by July 2006.

11 CONVERTIBLE DEBENTURES

		2000		
		Debt component		Equity component
(a) Convertible secured subordinated debenture	$	9,030	$	1,075

		1999		
		Debt component		Equity component
(a) Convertible secured subordinated debenture	$	8,865	$	1,075
(b) Convertible secured subordinated debenture				31,479
	$	8,865	$	32,554

(a) The convertible subordinated debenture of $9,940 issued to the Company's principal shareholder was taken out in connection with the acquisition of BFC Construction Corporation ("BFC") and bears interest at prime rate plus 1.0%, is convertible into common shares of the Company and matures on June 30, 2006. The conversion price for $2,822 of debenture principal, representing 783,887 common shares, is equal to $3.60 per share. The remaining principal balance shall be eligible for conversion at such price, and at such times, as common shares are issued to employees pursuant to the exercise of stock options (other than pursuant to the exercise of stock options that were outstanding at December 31, 1999). The conversion prices for the balance of the principal amount shall be a minimum of $3.00 per common share. The debenture creates a security interest, behind the security granted to the Company's bankers, which includes assignment of accounts receivable, holdbacks receivable and pledges of inventory, equipment and property and other assets of the Company. The Company is not entitled to prepay or repay any principal amount until the earlier of January 1, 2006 or demand by the lender for payment following the occurrence of an event of default. The lender has the right, at its option until June 30, 2006, to convert a portion of the principal amount into common shares of the Company. These conversions can only occur when the total of the number of shares being converted and issued to the lender does not exceed 49.99% of the Company's total outstanding common shares after the conversion. An amount of $1,075 (1999 – $1,075) of the debenture principal has been included in shareholders' equity representing the value of the conversion option.

Interest expense for the debenture is composed of the interest calculated on the face value of the convertible debenture plus an annual notional interest representing the accretion of the carrying value of the debentures. Interest recorded in 2000 was as follows:

Interest expense on face value	$	786
Notional interest representing accretion		165
	$	951

The liability portion of the debenture is as follows:

		2000		1999
Financial liability component	$	8,865	$	8,865
Notional interest representing accretion		165		
	$	9,030	$	8,865

(b) The convertible subordinated debenture of $31,479 outstanding at December 31, 1999 was taken out in connection with the acquisition of BFC, bore interest at prime rate plus 1.0%, and was convertible into common shares of the Company at $3.60 per common share. The debenture matured January 22, 2004 although the lender had the mandatory obligation to convert all of the principal amount into common shares, subject to the fulfillment of certain conditions, by June 30, 2000 in which event interest would not accrue or be payable. All of the conditions required for the mandatory conversion of the debenture were fulfilled during the first quarter of fiscal 2000 and the debenture principal amount was converted into 8,744,197 common shares of the Company on March 20, 2000. Accordingly, this convertible debenture was classified as equity as at December 31, 1999 as it had all of the features associated with common equity.

12 CAPITAL STOCK

	2000		1999	
	Shares	Amount	Shares	Amount
Authorized – unlimited common shares				
Balance – beginning of year	9,283,085	$ 2,068	9,438,402	$ 1,914
Common shares issued on the conversion of the convertible debenture, less expenses of $47	8,744,197	31,432		
Common shares issued on exercise of options	5,000	15	176,283	220
Common shares repurchased pursuant to Normal Course Issuer Bids	(95,600)	(113)	(331,600)	(66)
Balance – end of year	17,936,682	$ 33,402	9,283,085	$ 2,068

During the year the Company repurchased 95,600 (1999 – 331,600) of its common shares on the open market pursuant to the terms and conditions of Normal Course Issuer Bids at a net cost of $286 (1999 – $990); the amount in excess of the carrying value of the common shares was charged to retained earnings.

All shares repurchased by the Company pursuant to its Normal Course Issuer Bids have been cancelled.

Under the terms and conditions of the 1998 Stock Option Plan (the "1998 Plan"), the aggregate number of common shares which may be reserved for issuance under the 1998 Plan shall not exceed 2,700,000 common shares. Each option agreement shall specify the period for which the option thereunder is exercisable (which in no event shall exceed 10 years from the date of grant) and shall provide that the option shall expire at the end of such period. The Company's Board of Directors will determine the vesting period on the dates of option grants.

	2000		1999	
	Shares	Exercise price	Shares	Exercise price
Balance outstanding at beginning of year	245,000	$ 2.90		
Granted	1,584,000	$ 3.60	245,000	$ 2.90
Exercised	(5,000)	$ 2.90		
Forfeited	(18,000)	$ 2.90		
Balance outstanding at end of year [a]	1,806,000	$ 3.51	245,000	$ 2.90
Options exercisable at end of year	74,000			

(a) Weighted average exercise price.

During 2000, 1,584,000 options were granted to directors, senior officers and employees of the Company. Loans outstanding to directors, senior officers and employees granted to purchase shares of the Company amounted to $1,624 (1999 – $1,540).

Options were exercised during the year for 5,000 shares for which share capital was increased by $15. Options currently outstanding have the following exercise prices and expiry dates:

Options granted in:	Shares		Exercise price	Expiry date
1999	222,000	$	2.90	April 15, 2004
2000	1,584,000	$	3.60	July 19, 2005

The options granted have a term of five years from the date of grant and vest on the anniversary date of the grant at the rate of one-third per annum of the total number of share options granted. Details of the calculation of earnings per share follow:

		2000			
		Income (numerator)	Shares (denominator)		Per share
Net income for the year	$	10,622	16,098,589	$	0.66
Effect of dilutive securities:					
Options granted (i)			12,129		
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006 (ii)		129	670,287		
	$	10,751	16,781,005	$	0.64

		1999			
		Income (numerator)	Shares (denominator)		Per share
Net income for the year	$	6,072	9,278,931	$	0.65
Effect of dilutive securities:					
Options granted (i)			10,351		
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on June 30, 2006 (ii)			17,181		
Convertible secured subordinated debenture bearing interest at prime rate plus 1.0% maturing on January 22, 2004			191,654		
	$	6,072	9,498,117	$	0.64

(i) At December 31, 2000 options to purchase 1,584,000 (1999 – $ nil) common shares were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares.

(ii) This represents the limit of the number of shares that could be issued to the holder of debentures as a result of restrictions imposed on the number of shares that the holder is able to own. See note 11(a).

13 INTEREST

	2000	1999
Interest on long-term debt and subordinated debentures	$ 5,044	$ 860
Interest on capital leases	1,094	1,168
Interest on short-term debt	3,473	511
Interest income	(8,292)	(754)
	$ 1,319	$ 1,785

Interest on long-term debt includes $800 (1999 – $ nil) representing an early repayment penalty on debt retired in the year.

14 INCOME TAXES

The provision for income taxes differs from the result that would be obtained by applying combined Canadian Federal and Provincial (Ontario) statutory income tax rates to income before income taxes. This difference results from the following:

	2000	1999[a]
Income before income taxes	$ 16,659	$ 9,460
Statutory income tax rate	43.95%	44.60%
Expected income tax	$ 7,322	$ 4,219
Effect on income tax of:		
Benefit of losses not previously recognized		(3,226)
Provincial and foreign rate differentials	(1,163)	(265)
Effect of restructuring on rates applicable to loss carry-forwards	1,914	
Effect of enacted future rates	(670)	
Operating losses on which no tax recovery is presently available		2,053
Reduction in liability for taxes of prior years	(1,800)	
Large corporations tax	593	142
Other	(159)	465
Income tax expense	$ 6,037	$ 3,388

(a) On conversion to the liability method of tax accounting for future income taxes effective January 1, 2000, as disclosed in note 2, an adjustment was made to retained earnings for the future tax benefit from prior year tax losses not previously recognized.

The Company and certain subsidiaries have accumulated non-capital income tax losses, the benefit of which has been recognized in these financial statements, of approximately $72,254 (1999 – $58,188) which may be used to reduce future taxable income and expire in the following years:

2001	$ 9,869
2002	849
2003	1,031
2004	1,059
2005	3,748
2006	22,548
2007	33,150
	$ 72,254

The components of future income tax assets and liabilities as at December 31, 2000, are as follows:

	Current	Long-term
Future income tax assets:		
Net operating and capital losses carried forward	$ 16,073	$ 11,119
Reserves expensed for financial statement purposes and deducted for income tax purposes when paid	5,036	
Long-term contracts including joint ventures – Difference between use of percentage completion method of reporting for financial statement purposes and use of uncompleted contracts and billing less costs, excluding contractual holdbacks, for tax purposes	9,664	
Property, plant and equipment – Tax basis in excess of net book value		1,722
Other	1,192	2,663
Total future income tax assets	31,965	15,504
Valuation allowance	(1,000)	(3,060)
Net future income tax assets	$ 30,965	$ 12,444
Future income tax liabilities:		
Property, plant and equipment – Net book value in excess of tax basis	$	$ 6,875
Long-term contracts including joint ventures – Difference between use of percentage completion method of reporting for financial statement purposes and use of uncompleted contracts and billing less costs, excluding contractual holdbacks, for tax purposes	41,099	
Other temporary differences	7,133	781
Total future income tax liabilities	$ 48,232	$ 7,656

15 COMMITMENTS AND CONTINGENCIES

(a) The Company has commitments for equipment and premises under operating leases which require the following future minimum payments:

2001	$	14,599
2002		14,390
2003		10,289
2004		7,043
2005		6,209
	$	52,530

In addition to commitments under the leases above, the Company has a proportionate share of the obligation of a joint venture constructing a grain terminal in Poland. The lease of land and pier is for 25 years starting in 2002 with the Company's proportionate share of the minimum fixed payment being U.S. $867 per year and additional payments based on operating results of the terminal.

(b) The Company is involved in various claims and litigation both as plaintiff and defendant. In the opinion of management the resolution of claims against the Company will not result in a material effect on the financial position of the Company. Any settlements or awards will be reflected in the consolidated statements of income, as the matters are resolved.

(c) The Company is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts and for the obligations of its venturers in unincorporated joint ventures, the assets of which are available to settle any claims that may arise in the joint ventures.

(d) The Company has outstanding guarantees and letters of credit amounting to $57,479, of which $54,330 is in support of the Nathpa Jhakri Hydro-Electric Project in India and which are also guaranteed by Hochtief AG, the parent of the Company's principal shareholder.

16 SEGMENTED INFORMATION AND BUSINESS CONCENTRATION

The Company has two operating segments - Construction Operations and Infrastructure Development.

Construction Operations

Construction activities are carried out primarily in North America although international projects are undertaken. Activities include construction of roads and other transportation projects, buildings, dams and hydroelectric projects, utility projects, industrial, mechanical, electrical and nuclear services and installations, and the manufacture of once through steam generators. Projects within this segment typically do not require involvement in the financing of the project nor operation of the facilities once they are complete.

Infrastructure Development

This segment, international in operational scope, captures the Company's activities relating to the development of infrastructure through contracts which include development, design, construction, operation and financing of complex projects. Delivery of these projects is typically by way of build-operate-transfer, build-own-operate-transfer or public-private partnership contract structures.

(a) Industry segments

2000

	Construction Operations	Infrastructure Development	Corporate	Total
Revenues	$ 877,883	$ 128,447	$	$ 1,006,330
EBITDA	47,105	(15,761)	(2,001)	29,343
Depreciation and amortization	8,264	2,348	753	11,365
Segment operating profit (loss)	38,841	(18,109)	(2,754)	17,978
Interest and income taxes				(7,356)
Net income				$ 10,622
Total assets	$ 418,695	$ 102,175	$ 4,894	$ 525,764
Capital expenditures	13,231	321	818	14,370
Cash flow from operations	$ 44,276	$ (13,864)	$ (4,060)	$ 26,352

1999

	Construction Operations	Infrastructure Development	Corporate	Total
Revenues	$ 137,303	$ 75,811	$	$ 213,114
EBITDA	6,481	11,042	(2,358)	15,165
Depreciation and amortization	4,035	900	26	4,961
Segment operating profit (loss)	2,446	10,142	(2,384)	10,204
Gain on sale of investment				1,041
Interest and income taxes				(5,173)
Net income				$ 6,072
Total assets	$ 403,868	$ 54,030	$ 2,652	$ 460,550
Capital expenditures	4,181	2,888		7,069
Cash flow from operations	$ 3,924	$ 7,712	$ (1,536)	$ 10,100

EBITDA represents earnings before interest, taxes, depreciation and amortization. Approximately 11% (1999 – 34%) of revenue reported in the year related to contracts ultimately with Government of Ontario agencies.

(b) Geographic segments

	2000	1999
Revenues:		
Canada	$ 818,144	$ 160,444
United States	66,349	2,154
Other	121,837	50,516
	$ 1,006,330	$ 213,114
Capital assets and goodwill:		
Canada	$ 88,313	$ 73,437
United States	322	292
Poland	24,396	
Other		34
	$ 113,031	$ 73,763

17 CASH FLOW INFORMATION

Change in other balances relating to operations:

	2000	1999
(Increase) decrease in:		
Accounts receivable	$ (30,062)	$ (3,311)
Holdbacks receivable	7,441	1,468
Deferred contract costs and unbilled revenue	(28,340)	(3,755)
Inventories	(2,899)	(404)
Income taxes recoverable	(1,284)	(123)
Prepaid expenses	(4,096)	430
Assets held for sale	1,797	
Increase (decrease) in:		
Accounts payable and accrued liabilities	19,074	12,928
Holdbacks payable	2,244	1,828
Deferred revenue	37,577	(2,840)
Income taxes payable	(563)	1,622
	$ 889	$ 7,843

Other supplementary information:

		2000		1999
Cash interest paid	$	9,046	$	2,470
Cash income taxes paid	$	5,683	$	167

Significant non-cash transactions in the year include the conversion of convertible debt of $31,479 and the acquisition of capital assets of $2,696.

18 FINANCIAL INSTRUMENTS

Short-term deposits and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values on a discounted cash flow basis because of the near term nature of these instruments.

The carrying value of long-term debts including convertible debt approximate their fair value on a discounted cash flow basis because the majority of these obligations bear interest at rates that vary with the prime rate.

The carrying value of the redeemable preferred shares approximates fair market value as the interest rate thereon reflects current market rate.

Other financial instruments held or issued by the Company include holdbacks receivable, non-interest bearing project advances payable or holdbacks payable which are amounts directly related to construction contracts. These amounts by their nature do not bear interest and consideration for the time value of money is thus negotiated into the price of the contracts. The Company does not have plans to sell these financial instruments to third parties and will realize or settle them in the normal course of business. No quoted market price exists for these instruments because they are not traded in an active and liquid market. Accordingly, the fair values of holdbacks receivable, non-interest bearing project advances payable or holdbacks payable are considered to approximate the carrying values.

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